

August 2003



# North Dakota REV-E-NEWS

**From Pam Sharp, Director  
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The national economy is receiving a boost from tax cuts implemented as part of the fiscal stimulus package passed earlier this year. Most households with children are receiving rebate checks while tax withholding schedules have been reduced for all taxpayers. Businesses are also benefiting from accelerated depreciation schedules and larger investment write-offs. This stimulus is expected to add at least one-half of a percentage

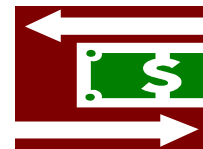
point to annualized real GDP growth during the second half of this year.

North Dakota's unemployment rate in June was 3.8 percent, which is substantially below the national unemployment rate of 6.4 percent. The state continues to have one of the lowest unemployment rates in the nation. Only two states had lower unemployment rates in June.

## 2001-03 Turnback

Unexpended general fund appropriations (turnback) for the 2001-03 biennium amounted to \$10.6 million. Prior to the end of the legisla-

tive session, turnback was estimated to be \$5.4 million.



## Oil Activity

Oil production in June averaged 79,446 barrels per day, up slightly from May's production level of 79,152 barrels per day.

The price of oil is currently \$26 per barrel and 14 rigs are operating in North Dakota compared to 14 rigs one year ago.

Comments or Questions???

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**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
***Compared to the Legislative Forecast***  
**2003-05 BIENNIUM**  
**July 2003**

| REVENUES AND TRANSFERS              | FISCAL MONTH                  |                   |                   |                | BIENNIUM TO DATE              |                   |                   |                |
|-------------------------------------|-------------------------------|-------------------|-------------------|----------------|-------------------------------|-------------------|-------------------|----------------|
|                                     | March 2003<br><u>Forecast</u> | <u>Actual</u>     | <u>Variance</u>   | <u>Percent</u> | March 2003<br><u>Forecast</u> | <u>Actual</u>     | <u>Variance</u>   | <u>Percent</u> |
| Sales Tax                           | 25,105,000                    | 25,429,150        | 324,150           | 1.3%           | 25,105,000                    | 25,429,150        | 324,150           | 1.3%           |
| Motor Vehicle Excise Tax            | 4,967,000                     | 5,463,206         | 496,206           | 10.0%          | 4,967,000                     | 5,463,206         | 496,206           | 10.0%          |
| Individual Income Tax               | 21,406,000                    | 21,472,896        | 66,896            | 0.3%           | 21,406,000                    | 21,472,896        | 66,896            | 0.3%           |
| Corporate Income Tax                |                               | 49,082            | 49,082            | 100.0%         |                               | 49,082            | 49,082            | 100.0%         |
| Insurance Premium Tax               |                               |                   | -                 |                |                               |                   | -                 |                |
| Financial Insitutions Tax           |                               | 69,893            | 69,893            | 100.0%         |                               | 69,893            | 69,893            | 100.0%         |
| Oil & Gas Production Tax            | 2,148,000                     | 2,964,412         | 816,412           | 38.0%          | 2,148,000                     | 2,964,412         | 816,412           | 38.0%          |
| Gaming Tax                          | 300,000                       | 159,532           | (140,468)         | -46.8%         | 300,000                       | 159,532           | (140,468)         | -46.8%         |
| Interest Income                     | 221,000                       | 42,708            | (178,292)         | -80.7%         | 221,000                       | 42,708            | (178,292)         | -80.7%         |
| Oil Extraction Tax                  | 1,456,000                     | 1,354,977         | (101,023)         | -6.9%          | 1,456,000                     | 1,354,977         | (101,023)         | -6.9%          |
| Cigarette & Tobacco Tax             | 1,648,000                     | 1,682,738         | 34,738            | 2.1%           | 1,648,000                     | 1,682,738         | 34,738            | 2.1%           |
| Departmental Collections            | 6,099,750                     | 30,672,071        | 24,572,321        | 402.8%         | 6,099,750                     | 30,672,071        | 24,572,321        | 402.8%         |
| Wholesale Liquor Tax                | 559,000                       | 596,267           | 37,267            | 6.7%           | 559,000                       | 596,267           | 37,267            | 6.7%           |
| Coal Conversion Tax                 | 1,970,000                     | 2,008,172         | 38,172            | 1.9%           | 1,970,000                     | 2,008,172         | 38,172            | 1.9%           |
| Mineral Leasing Fees                | 350,000                       | 398,832           | 48,832            | 14.0%          | 350,000                       | 398,832           | 48,832            | 14.0%          |
| Bank of North Dakota-Transfer       |                               |                   |                   |                |                               |                   |                   |                |
| State Mill & Elevator-Transfer      |                               |                   |                   |                |                               |                   |                   |                |
| Gas Tax Admin-Transfer              | 174,525                       | 174,525           |                   | 0.0%           | 174,525                       | 174,525           | -                 | 0.0%           |
| Other Transfers                     |                               |                   | -                 |                |                               |                   | -                 |                |
| <b>Total Revenues and Transfers</b> | <b>66,404,275</b>             | <b>92,538,462</b> | <b>26,134,187</b> | <b>39.4%</b>   | <b>66,404,275</b>             | <b>92,538,461</b> | <b>26,134,186</b> | <b>39.4%</b>   |

**COMPARISON TO PREVIOUS BIENNIUM REVENUES**  
**2001-03 BIENNIUM**  
**July 2003**

| REVENUES AND TRANSFERS              | FISCAL MONTH      |                   |                   |              | BIENNIUM TO DATE  |                   |                   |              |
|-------------------------------------|-------------------|-------------------|-------------------|--------------|-------------------|-------------------|-------------------|--------------|
|                                     | July<br>2003      | July<br>2005      | Variance          | Percent      | 2001-03           | 2003-05           | Variance          | Percent      |
| Sales Tax                           | 23,116,831        | 25,429,150        | 2,312,319         | 10.0%        | 23,116,831        | 25,429,150        | 2,312,319         | 10.0%        |
| Motor Vehicle Excise Tax            | 4,760,834         | 5,463,206         | 702,371           | 14.8%        | 4,760,834         | 5,463,206         | 702,371           | 14.8%        |
| Individual Income Tax               | 18,070,563        | 21,472,896        | 3,402,332         | 18.8%        | 18,070,563        | 21,472,896        | 3,402,332         | 18.8%        |
| Corporate Income Tax                | 25,203            | 49,082            | 23,879            | 94.7%        | 25,203            | 49,082            | 23,879            | 94.7%        |
| Insurance Premium Tax               | (500)             |                   | 500               | -100.0%      | (500)             |                   | 500               | -100.0%      |
| Financial Insitutions Tax           | 16,622            | 69,893            | 53,271            | 320.5%       | 16,622            | 69,893            | 53,271            | 320.5%       |
| Oil & Gas Production Tax*           | 2,802,748         | 2,964,412         |                   |              | 2,802,748         | 2,964,412         | 161,663           | 5.8%         |
| Gaming Tax                          | 336,070           | 159,532           | (176,538)         | -52.5%       | 336,070           | 159,532           | (176,538)         | -52.5%       |
| Interest Income                     | 217,561           | 42,708            | (174,853)         | -80.4%       | 217,561           | 42,708            | (174,853)         | -80.4%       |
| Oil Extraction Tax*                 | 1,117,228         | 1,354,977         |                   | 0.0%         | 1,117,228         | 1,354,977         | 237,750           | 21.3%        |
| Cigarette & Tobacco Tax             | 1,790,661         | 1,682,738         | (107,922)         | -6.0%        | 1,790,661         | 1,682,738         | (107,922)         | -6.0%        |
| Departmental Collections            | 7,341,228         | 30,672,071        | 23,330,843        | 317.8%       | 7,341,228         | 30,672,071        | 23,330,843        | 317.8%       |
| Wholesale Liquor Tax                | 527,545           | 596,267           | 68,722            | 13.0%        | 527,545           | 596,267           | 68,722            | 13.0%        |
| Coal Conversion Tax                 | 1,725,427         | 2,008,172         | 282,745           | 16.4%        | 1,725,427         | 2,008,172         | 282,745           | 16.4%        |
| Mineral Leasing Fees                | 374,808           | 398,832           | 24,024            | 6.4%         | 374,808           | 398,832           | 24,024            | 6.4%         |
| Bank of North Dakota-Transfer       |                   |                   |                   |              |                   |                   | -                 |              |
| State Mill & Elevator-Transfer      |                   |                   | -                 |              |                   |                   | -                 |              |
| Gas Tax Admin-Transfer              | 170,424           | 174,525           |                   | 0.0%         | 170,424           | 174,525           | 4,101             | 2.4%         |
| Other Transfers                     |                   |                   | -                 |              |                   |                   | -                 |              |
| <b>Total Revenues and Transfers</b> | <b>62,393,253</b> | <b>92,538,461</b> | <b>30,145,208</b> | <b>48.3%</b> | <b>62,393,253</b> | <b>92,538,461</b> | <b>30,145,208</b> | <b>48.3%</b> |

## Revenue Variances

Sales tax collections exceeded projections for July by \$324,150, while motor vehicle excise tax collections exceeded projections by \$496,206.

Individual income tax collections exceeded July projections by \$66,896.

Because of the large amount of corporate income tax refunds expected each year at this time, the assumption was made that for cashflow purposes, collections for the first three months of the fiscal year would go into the refund reserve account. Corporate income tax collections in July were \$1,3049,082 of which, \$1.3 million was transferred into the refund reserve account and the remaining \$49,082 is reported as revenue for the month.

The first \$2.6 million collected each fiscal year in insurance tax premium goes to the fire districts, therefore, the forecast for insurance premium tax collections is also zero.

Oil and gas production tax collections exceeded the July forecast by \$816,412 or 38.0 percent, while collections for oil extraction taxes fell below forecast by \$101,023, or 6.9 percent.

Departmental collections exceeded the July projections by \$24.6 million as a result of the receipt of \$25.0 million from the federal government for fiscal relief for the states. The first \$25.0 million was received in early July and the second \$25.0 million will arrive in October.

